

To the Members of the California State Senate:

I am signing Senate Bill 912, to permanently eliminate a 5% Medi-Cal provider rate cut initiated by the previous Administration and mandated by legislation in 2003. Because of the efforts of my Administration and the leadership of other states, the federal government recently announced that California will save \$113 million through a recalculation of the Medicare Part D payment formula. These unanticipated savings provide us the opportunity to end the rate reduction currently in place and provide relief for Medi-Cal fee-for-service providers who deliver critical health care services to our most vulnerable Californians.

While new federal funds will help cover the cost of this rate increase, rising costs in the Medi-Cal program demand attention and require action. As the Public Policy Institute of California recently reported, Medi-Cal spending has increased by more than 30 percent in five years and may increase by more than 60 percent to almost \$54 billion by 2010. Without implementing real cost-containment efforts in Medi-Cal, California will be seriously challenged to maintain eligibility and sustain the current level of services in the future. I call on the California Medical Association and other health care providers to work with me and the Legislature to develop and implement the types of reasonable and responsible Medi-Cal reforms that I have proposed to contain costs, maintain services and improve outcomes for Medi-Cal beneficiaries.

Sincerely,

Arnold Schwarzenegger